

SCHEDULE 14A

(Rule 14a)

Information Required in Proxy Statement

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ Confidential, for use of the Commission Only
(as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to Sec. 240.14a-11(c) or Sec. 240.14a-12

OM GROUP, INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
(Set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

OM GROUP, INC.

**Tower City
3500 Terminal Tower
50 Public Square
Cleveland, Ohio 44113-2204**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 9, 2000

Notice is hereby given that the 2000 Annual Meeting of Stockholders of OM Group, Inc. will be held at The Forum Conference Center, 1375 East 9th Street, Cleveland, Ohio 44114, on Tuesday, May 9, 2000, at 11:00 a.m., for the following purposes:

1. To elect two Directors;
2. To confirm the appointment of Ernst & Young LLP as independent auditors; and
3. To transact such other business as properly may come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on March 17, 2000 are entitled to notice of and to vote at the meeting. A stockholder who executes and returns the accompanying proxy may revoke such proxy at any time before it is voted at the meeting by following the procedures set forth in the attached Proxy Statement.

Michael J. Scott, *Secretary*

Cleveland, Ohio
April 7, 2000

OM GROUP, INC.

**Tower City
3500 Terminal Tower
50 Public Square
Cleveland, Ohio 44113-2204**

PROXY STATEMENT

GENERAL INFORMATION

The accompanying proxy is solicited by the Board of Directors of OM Group, Inc. (the “Company”) and will be voted in accordance with the instructions given in the proxy if it is returned duly executed and is not revoked. A stockholder may revoke a proxy at any time before it is voted by giving notice to the Company in writing or in open meeting. Attendance at the meeting will not in and of itself revoke a proxy.

This Proxy Statement and the accompanying proxy were first mailed to stockholders on or about April 7, 2000. The record date for determination of stockholders entitled to vote at the meeting was the close of business on March 17, 2000. On that date, the outstanding voting securities of the Company were 23,831,117 shares of Common Stock, par value \$.01 per share (“Common Stock”). Each share of Common Stock is entitled to one vote. Provided a quorum is present, the affirmative vote of a majority of the shares present in person or by proxy at the meeting will be sufficient to elect directors and to ratify Ernst & Young LLP as auditors of the Company. Abstentions will be deemed to be present for the purpose of determining a quorum for the meeting, but will be deemed not voting on the issues or matters as to which the abstention is applicable.

So far as the Company is aware, no matters other than those stated in the notice will be presented to the meeting for action on the part of the stockholders. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote thereon the shares to which the proxy relates, in accordance with their best judgment.

The cost of soliciting proxies will be borne by the Company. The Company will, upon request, reimburse brokerage houses, custodians, nominees and others for their out-of-pocket and reasonable clerical expenses incurred in connection with such solicitation. For purposes of obtaining broad representation at the meeting, Proxy Express has been retained by the Company for distribution services, at an anticipated cost of approximately \$2,500 plus postage costs. In addition, directors, officers and employees of the Company, acting on its behalf and without being additionally compensated, may make additional requests by letter, telephone or in person for the return of proxies.

ELECTION OF DIRECTORS

The authorized number of directors of the Company is presently fixed at seven, divided into three classes each designed to serve three-year terms. Two classes have two members and one class has three members. The term of the Class I directors expires at the annual stockholders meeting for election of directors in 2000, the term of the Class II directors expires at the annual stockholders meeting for election of directors in 2001, and the term of the Class III directors expires at the annual stockholders meeting for the election of directors in 2002.

For election as directors at the Annual Meeting of Stockholders to be held on May 9, 2000, the Board of Directors has recommended the election of John E. Mooney and Markku Toivanen to serve as Class I directors for three-year terms expiring in 2003. If any of the nominees becomes unavailable for election, the accompanying proxy may be voted for a substitute, or in favor of holding a vacancy to be filled by the directors. The Company has no reason to believe that any nominee will be unavailable. The nominees receiving the largest number of votes will be elected to the director positions to be filled.

The following information is provided regarding each nominee for election as a director and each of the other directors who will continue in office after the meeting.

Nominees for Election



John E. Mooney, age 49, has been a director of the Company since 1995. For the past 12 years, Mr. Mooney has been President of Sachem, Inc., a specialty chemical manufacturer. Mr. Mooney received a B.A. in Economics from the University of Toronto. Mr. Mooney is James P. Mooney's brother. If elected, Mr. Mooney's term as director will expire in 2003.



Markku Toivanen, age 59, has been a director of the Company since 1991. Since 1996, Mr. Toivanen has served as Senior Vice President of Corporate Strategic Development of Outokumpu Oyj. From 1993 to 1996, Mr. Toivanen served as President and Chief Executive Officer of Outokumpu Metals & Resources Oy ("OMR"). From 1992 to 1993, Mr. Toivanen served as OMR's Executive Vice President and Chief Operating Officer. From 1991 to 1992, Mr. Toivanen served as Chairman and Chief Executive Officer of Outokumpu Mines Ltd. (Canada), a wholly owned subsidiary of Outokumpu Oy. Mr. Toivanen and Antti Aaltonen, Vice President of Operations for OMG Kokkola Chemicals Oy, are brothers-in-law. If elected, Mr. Toivanen's term as director will expire in 2003.

Directors Whose Terms of Office Will Continue After the Meeting



Edward W. Kissel, age 58, was appointed as a director of the Company in 1999 to fill a vacancy. Mr. Kissel has been President and Chief Operating Officer of OM Group, Inc. since June, 1999. Since 1993, he has been Chief Executive Officer of Kissel Group, Ltd., a holding company with interests in Kissel Group, a consulting business specializing in strategic business issues and RotoCast Technologies, Inc., a specialty cast aluminum mold manufacturer. Previously, he was President of the Passenger and Light Truck Division of Continental- General Tire, Inc. From 1987 to 1990, he was Vice President of manufacturing and engineering for Englehard Corporation and previously spent 24 years the GoodyearTire & Rubber Co. Mr. Kissel's term expires in 2001.



Lee R. Brodeur, age 71, has been a director of the Company since 1991 and a director of Mooney Chemicals, Inc. since 1987. Mr. Brodeur was employed by the Firestone Tire & Rubber Company, Akron, Ohio from 1951 until his retirement as Vice Chairman of that company in 1986. Mr. Brodeur's term expires in 2002.



Frank E. Butler, age 64, has been a director of the Company since 1996. From 1992 until his retirement in 1997, Mr. Butler was President and General Manager of the Coatings Division of The Sherwin-Williams Company, a manufacturer, distributor and retailer of coatings and related products. From 1957 to 1992, Mr. Butler held various engineering positions in the Chemical Division of Sherwin-Williams. Mr. Butler received a masters degree in chemistry from Iowa State University. Mr. Butler's term expires in 2001.



Thomas R. Miklich, age 52, has been a director of the Company since 1993. Mr. Miklich has been employed by Invacare Corporation as Chief Financial Officer and General Counsel since 1993. Prior to joining Invacare, Mr. Miklich was Executive Vice President, Chief Financial Officer and a Director of Van Dorn Company. For 22 years prior to that, Mr. Miklich was employed with The Sherwin-Williams Company where he held several financial positions, culminating as their Senior Vice President and Chief Financial Officer. Mr. Miklich's term expires in 2002.



James P. Mooney, age 52, is Chairman of the Board and has been a director and Chief Executive Officer of OM Group, Inc. since 1991. From 1991 to 1994, Mr. Mooney was President of OM Group, Inc. From 1979 to 1991, Mr. Mooney was President and Chief Executive Officer of Mooney Chemicals, Inc. Mr. Mooney received a B.A. degree in history from Quincy University, where he is a member of the Board of Trustees. Mr. Mooney is John E. Mooney's brother. Mr. Mooney's term expires in 2002.

SECURITY OWNERSHIP OF DIRECTORS, OFFICERS AND CERTAIN BENEFICIAL OWNERS

The following table sets forth, as of January 31, 2000, information concerning the number of shares of Common Stock of the Company beneficially owned by each director, nominee and executive officer named in the Summary Compensation Table individually and by all executive officers and directors of the Company as a group. No executive officer or director other than Mr. Mooney owns more than 1% of the outstanding shares of Common Stock of the Company. Mr. Mooney owns 4.4% and all executive officers and directors as a group own approximately 5.7% of such shares. The totals shown below for each person and for the group include shares held personally, shares held by family members, shares held under the Profit-Sharing Plan, and shares acquirable within sixty days of the above date by the exercise of stock options granted under the Company's stock option plan.

AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1)

Name of Beneficial Owner	Directly Owned(2)	Profit-Sharing Plan(3)	Exercisable Options(4)	Total
Lee R. Brodeur	5,750	-0-	16,442	22,192
Frank E. Butler	200	-0-	10,921	11,121
Thomas E. Fleming	1437	-0-	55,000	56,437
Edward W. Kissel	15,700	-0-	15,000	30,700
James M. Materna	1,050	2,098	138,149	141,297
Thomas R. Miklich	3,450	-0-	13,274	16,724
James P. Mooney	459,083	42,129	540,225	1,041,437
John E. Mooney	10,381	-0-	6,028	16,409
Markku Toivanen	-0-	-0-	20,033	20,033
All Directors and Officers as a Group (consisting of 8 persons)	497,051	44,227	815,072	1,356,350

- (1) Each person has sole voting and investment power with respect to all shares shown except as indicated below.
- (2) Includes shares owned by or jointly with family members. Mr. Kissel's shares include restricted stock granted under a provision in his employment contract. The contract provides that Mr. Kissel will receive a right to 5000 shares of restricted stock which vest on the three year anniversary of the effective date of his employment contract, June 1, 2002. An additional 10,000 shares of restricted stock will vest on the five year anniversary, June 1, 2004.
- (3) The persons indicated have limited investment power with respect to the shares held in the Profit-Sharing Plan.
- (4) Represents shares subject to stock options that are exercisable currently or within 60 days of January 31, 2000.

The following table sets forth information concerning each person known by the Company to be the beneficial owner of more than 5% of its outstanding Common Stock or stock convertible into Common Stock.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Baron Capital Group, Inc. 767 Fifth Avenue New York, NY 10153 (1)	3,298,750	13.9
Jurika & Voyles, L.P. 1999 Harrison Street Suite 700 Oakland, CA 94612 (2)	1,192,445	5.2
Lord, Abbett & Co. 90 Hudson Sreet Jersey City, NJ 07302 (3)	1,243,005	5.2
Primecap Management Company 225 South Lake Ave Suite 400 Pasadena, CA 91101 (4)	1,439,000	6.1

(1) Information regarding share ownership was obtained from Amendment No. 3 to a Schedule 13G filed on February 14, 2000 by BAMCO, Inc. Baron Capital Group, Inc. is a parent holding company of a group of investment management companies. BAMCO, Inc. and Baron Capital Management, Inc. are subsidiaries of Baron Capital Group, Inc. Barron Asset Fund is an investment advisory client of BAMCO, Inc. Ronald Baron owns a controlling interest in Baron Capital Group Inc. Baron Capital Group, Inc. and Ronald Baron each have shared voting and dispositive power with respect to 3,298,750 of the shares listed herein. BAMCO Inc. has shared voting and dispositive power with respect to 2,614,500 of the shares listed herein. Baron Capital Management Inc. has shared voting and dispositive power with respect to 684,250 of the shares listed herein. Baron Asset Fund has shared voting and dispositive power with respect to 2,367,500 of the shares listed herein.

(2) Information regarding share ownership was obtained from Amendment No. 4 to a Schedule 13G filed on February 14, 2000 by Jurika & Voyles, L.P. Jurika & Voyles, L.P. has shared voting power with respect to 1,008,323 of the shares listed herein and has shared dispositive power with respect to 1,192,445 of the shares listed herein.

(3) Information regarding share ownership was obtained from Schedule 13G filed on February 8, 2000 by Lord, Abbett & Co. Lord, Abbett & Co. has sole voting and dispositive power with respect to all of the shares listed herein.

(4) Information regarding share ownership was obtained from Amendment No. 1 to a Schedule 13G filed on October 29, 1999 by Primecap Management Company. Primecap Management Company has sole voting power with respect to 214,000 of the shares listed herein and has sole dispositive power with respect to 1,439,000 of the shares listed herein.

COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

The Company's Board of Directors held four regularly scheduled meetings during 1999. The Board has a standing Audit and Finance Committee and a standing Compensation Committee. During 1999, each director attended at least 80% of the meetings of the Board and those committees on which he served.

The Audit and Finance Committee, currently composed of Messrs. Lee R. Brodeur, Thomas R. Miklich and Markku Toivanen, engages in the functions usual to an audit committee of a publicly held corporation, including recommendations as to the engagement of independent accountants; review with the independent accountants of the proposed scope of and plans for annual audits and review of audit results; review of the adequacy of internal financial controls; and review of any problems identified by the auditors. During 1999, the Audit and Finance Committee met 5 times.

The Compensation Committee, currently composed of Messrs. Lee R. Brodeur and Frank E. Butler, held 5 meetings during 1999. The functions of the Compensation Committee are to review, consider and recommend candidates for election as officers of the Company; to review and authorize rates of compensation for officers; to designate those employees who will receive grants of stock options and other stock awards under the Company's Long-Term Incentive Compensation Plan and the type and size of such grants; and to determine the bonus levels for key executives and middle management employees under the Company's bonus program.

Compensation of Directors

Directors who are officers of the Company receive no additional compensation for serving as directors. The Company has a compensation policy for its outside directors which includes a director's fee of \$25,000 per annum and an annual fee of \$3,000 per committee for service on the Audit and Finance Committee or Compensation Committee. Committee chairmen also receive \$3,000 per annum per committee chaired. In addition, each outside director receives a fee of \$1,000 for each Board meeting attended. Directors may elect to receive their compensation in the form of cash, stock options or restricted stock under the Company's Non-Employee Directors' Equity Compensation Plan. Under this plan, directors may purchase stock options for a price equal to the difference between the exercise price (75% of fair market value on date of grant) and the fair market value per share. Restricted shares may be purchased at a price equal to fair market value per share. Also, directors electing to receive restricted stock receive additional restricted stock equal to 5% of newly applied cash compensation. Directors are reimbursed for their travel and other expenses incurred in attending Board and committee meetings.

EXECUTIVE COMPENSATION

Summary Compensation Table. The following table sets forth all compensation awarded to, earned by or paid to (i) the Company's Chief Executive Officer and (ii) the Company's next three most highly compensated executive officers (collectively, the "Named Officers"), for services rendered in capacities to the Company during 1997, 1998 and 1999.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Restricted Stock Awards(3)	Long-Term Compensation Awards		All Other Compensation(1)
		Salary	Bonus(2)		Securities and Underlying Stock Options (Shares)	Payouts LTIP Payouts \$	
James P. Mooney Chairman and CEO	1997	445,000	500,000		55,400		132,277
	1998	500,000	570,000		83,000		150,015
	1999	570,000	630,000		85,000		171,000
Edward W. Kissel President and COO	1999	233,333	207,813	570,000	70,000		35,000
James M. Materna CFO	1997	200,000	173,000		25,000		75,026
	1998	230,000	221,000		35,000	510,806	63,465
	1999	260,000	243,000		37,000	485,025	72,150
Thomas E. Fleming(4) CMO	1997	245,000	162,000		20,000	656,513	45,987
	1998	270,000	177,000		35,000	372,413	64,826
	1999	295,000	177,000		0	655,250	70,800

- (1) This amount represents amounts contributed for the named Officer under the Company's qualified Profit-sharing Plan and amounts accrued under the OM Group, Inc. Benefit Restoration Plan.
- (2) Amounts awarded to the Named Officer under the Company's Bonus Program for Key Executives and Middle Management.
- (3) Dollar amount shown for Mr. Kissel equals number of shares of restricted stock granted (15,000) multiplied by stock price on the grant date (\$38.00). This valuation does not take into account the diminution in value attributable to the restriction applicable to the shares. On the three year anniversary, June 1, 2002, 5,000 shares will vest and an amount equal to accrued dividends will be paid. On the five year anniversary, June 1, 2004, 10,000 shares will vest together with an amount equal to accrued dividends.
- (4) Mr. Fleming resigned from the Company effective December 31, 1999. Pursuant to his employment contract and a separation agreement with the Company to a non-compete for a three year period, Mr. Fleming will receive: (i) a bonus for 1999 in the amount of \$177,000; (ii) an amount equal to his salary through June, 2000; (iii) a lump sum payment of approximately \$120,000 under the Benefit Restoration Plan; (iv) corporate owned life insurance policies having a cash surrender value of \$20,000; (v) lease payments and insurance on a company car through the termination of the lease in May, 2000.

Options Grants Table. The following table sets forth additional information concerning individual grants of stock options pursuant to the Company's Long-term Incentive Compensation Plan made by the Company during 1999 to the Named Officers, which options are included in the Summary Compensation Table above. In each case, the options were granted at fair market value on the date of grant (\$36.25) for a term of 10 years expiring November 8, 2009. The stock options will vest December 31, 2000.

OPTIONS GRANT TABLE

Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in 1999	Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for Option Term	
			5%	10%
James P. Mooney	85,000	27%	1,937,782	4,910,719
Edward W. Kissel	70,000	22%	1,612,329	4,085,957
James F. Materna	37,000	12%	843,505	2,137,607
Thomas E. Fleming	0	0%	0	0

AGGREGATED OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUE

The following table sets forth information concerning unexercised options to purchase Common Stock held by the Named officers at December 31, 1999.

Name	Number of Securities Underlying Unexercised Options Held at 12/31/99		Value of Unexercised In-the-Money Options at 12/31/99(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
James P. Mooney	540,226	85,000	8,918,817	0
Edward W. Kissel	15,000	55,000	0	0
James M. Materna	138,159	37,000	1,543,215	0
Thomas E. Fleming	55,000	0	0	0

(1) Based on fair market value at December 31, 1999 of \$34.44.

Report of the Compensation Committee

Executive Compensation Policy. The Compensation Committee of the Board of Directors (the “Committee”), comprised solely of outside directors of the Company, is responsible for setting the policies and approving the practices of the Company in its compensation to executive officers of the Company and its subsidiaries, including those executive officers named in the compensation tables in this Proxy Statement. The Committee’s general policy on executive compensation is to provide a significant incentive to management to achieve annual profit goals and to increase the value of the Company’s stock. The policy is intended to cause a significant portion of total executive compensation to be contingent upon Company performance and in the form of annual and longer-term incentives.

In carrying out its responsibilities in 1999, the Committee considered the following:

1. The Company’s financial performance;
2. The Company’s general policies and practices for compensation of employees;
3. The recommendations of the Company’s management concerning compensation of individual key employees; and
4. Advice from independent compensation consultants concerning all aspects of the Company’s compensation policies, including how its policies and practices compare to the policies and practices of other comparable companies.

The three major components of the Company's executive officer compensation program are (1) base compensation and annual adjustments thereto paid pursuant to employment contracts with executive officers, (2) annual bonuses paid pursuant to the Bonus Program for Key Executives and Middle Management, and (3) stock options issued at fair market value pursuant to the Company's 1998 Long-Term Incentive Compensation Plan.

Employment Contracts with Executive Officers. The Company has entered into employment contracts with each of its executive officers. The employment contracts establish the position of each executive officer and provide that the executive officer will devote his full professional attention to the Company and that the Company will not materially decrease his level of responsibility. Each contract provides for automatic yearly renewals unless the contract is terminated by either party upon six months' prior notice.

Each contract provides for base compensation which may be increased annually, but not decreased. In considering annual adjustments to an executive officer's base compensation, the Committee considers both Company and individual performance. In addition, executive officers' base salaries are targeted between the median and 75th percentile of comparably sized companies in the chemical and non-durable goods manufacturing industries. Each contract also provides for annual bonuses paid pursuant to the Company's Bonus Program for Key Executives and Middle Management described below.

The Company may terminate each contract at any time with or without cause. If terminated for cause, an officer is entitled to compensation accrued up to the time of termination. If terminated without cause, the officer is entitled to accrued compensation and to receive all base compensation, incentive bonuses and fringe benefits due under his contract for the later of the expiration of the current contract term or two years after delivery of notice of termination with respect to James P. Mooney and James M. Materna. If the officer resigns for any reason, he is entitled to accrued compensation and to receive all base compensation for three months following the effective date of termination of his employment.

Mr. Kissel has a three year employment contract, renewable for two year periods on six months notice. The contract provides for severance pay in the amount of base and incentive compensation for the remainder of any portion of the term not served, unless executive is dismissed for Cause as defined in the contract.

Bonus Program for Key Executives and Middle Management. The Company pays annual bonuses to certain employees, including executive officers, based primarily on the Company's operating profit. In deciding annual bonus amounts, the Committee reviews the Company's performance against a predetermined consolidated operating profit goal, approved annually by the Board of Directors as part of the Company's financial budgeting process. Annual bonuses are then paid pursuant to a schedule approved by the Board of Directors which sets forth specified percentages of base compensation payable as annual bonuses based upon the level of attainment of the predetermined operating profit goal. Based on this performance, executive officers, other than the CEO, received annual bonuses ranging from 60% to 93% of their annual base salaries in 1999.

1998 Long-Term Incentive Compensation Plan. Executive officers and other key employees also received compensation pursuant to the Company's 1998 Long-Term Incentive Compensation Plan (the "Incentive Plan"). The Incentive Plan is designed to promote the Company's growth and profitability by providing, through Common Stock ownership, incentives to attract and retain highly talented persons to provide managerial and administrative services to the Company and to motivate such persons to use their best efforts on the Company's behalf. The Incentive Plan provides for the granting of stock options, stock appreciation rights, restricted stock awards and phantom stock (collectively, "Awards"). Under the 1998 Long-Term Incentive Compensation Plan, the total number of shares of Common Stock subject to the plan each year is 1.5% of the total number of issued and outstanding shares of Company's Common Stock as of December 30 of the preceding calendar year.

The Incentive Plan is administered by the Committee. Subject to the provisions of the Incentive Plan, the Committee is authorized to determine who may participate in the Incentive Plan, the Awards made to each participant and the terms and conditions applicable to each Award. The number of stock options granted to executive officers and key employees during 1999 depended principally upon the individual's level of responsibility within the Company and the Committee's assessment of individual performance and contribution.

CEO Compensation and Company Performance. In setting Mr. James P. Mooney's compensation for 1999, the Committee considered the Company's financial performance during the previous four quarters, Mr. Mooney's personal performance and comparative data on the salaries for chief executive officers of comparably-sized companies in the chemical and non-durable goods manufacturing industries. The Committee also considered various factors of corporate performance, including profitability, market position, productivity, product leadership and the balancing of short-term and long-term goals. Based on the Committee's review of these factors, Mr. Mooney's employment contract, as amended, provided for base compensation of \$570,000 in 1999, reflecting a 14% increase in his 1998 base compensation.

Mr. Mooney's contract also provides for bonuses in accordance with the Bonus Program for Key Executives and Middle Management. The Committee reviewed the Company's 1999 performance against the predetermined consolidated operating profit goal for 1999. Based upon the Company's level of attainment of this goal, Mr. Mooney's annual bonus for 1999 was \$630,000, constituting a bonus greater in amount than his base compensation.

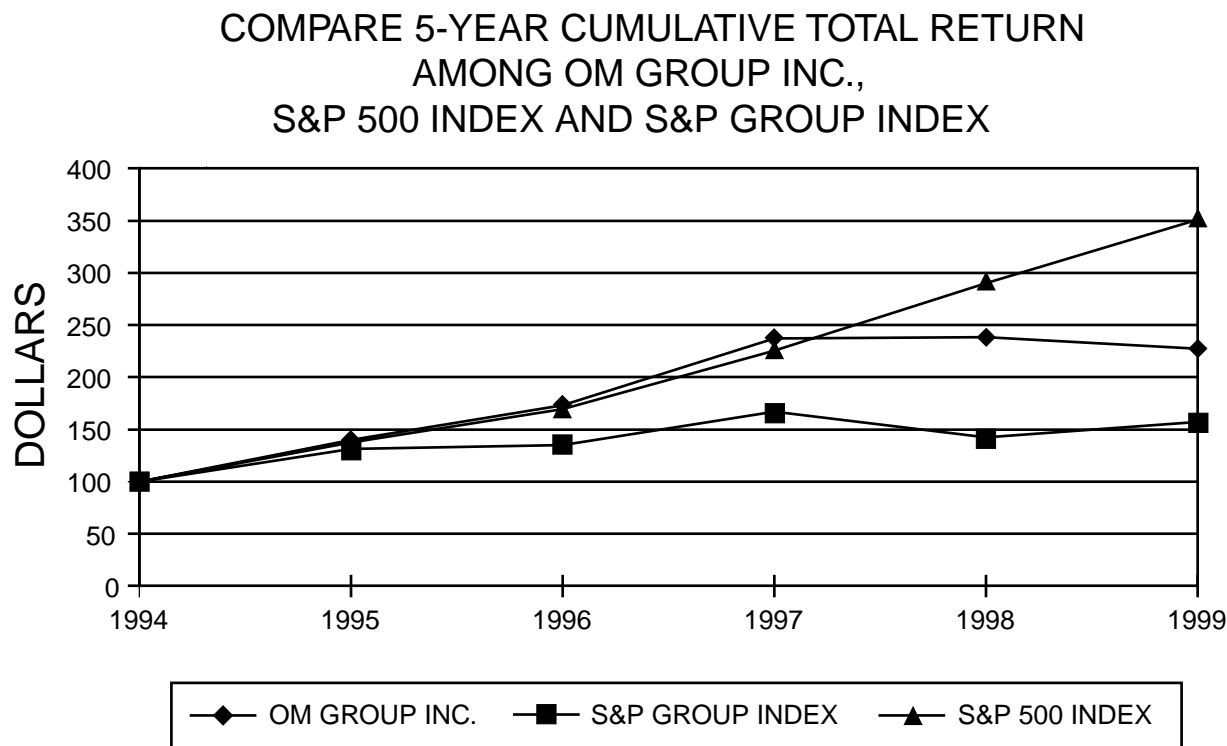
On November 8, 1999, the Committee approved a grant of 85,000 option shares to Mr. Mooney pursuant to the Incentive Plan. The size of the grant was based on the Committee's consideration of the size of stock option grants to chief executive officers with pay and responsibility comparable to that of Mr. Mooney and its qualitative assessment of Mr. Mooney's performance during 1999.

The Compensation Committee

Lee R. Brodeur, Chairman
Frank E. Butler

Performance Compared to Certain Standards

The chart set forth below compares the Company's cumulative total stockholder return to (a) that of the Standard & Poor's 500 Index, and (b) that of S&P Chemicals (Specialty) Index. In all cases, the information is presented on a dividend reinvested basis.



**ASSUMES \$100 INVESTED ON JAN. 1, 1995
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DEC. 31, 1999**

RELATED PARTY TRANSACTIONS

Relationship with Outokumpu Oy and Affiliates. Mr. Markku Toivanen, a Director of the Company, is Senior Vice President of Strategic Development of Outokumpu Oy, the Company's former majority stockholder. The Company has certain business relationships with Outokumpu and its affiliates which are described as follows:

Certain raw materials are procured from or with the assistance of Outokumpu affiliates including nickel and cobalt. Amounts paid to Outokumpu affiliates pursuant to these arrangements amounted to approximately \$56,500,000 in 1999. Kokkola's production facility also purchases certain utilities including electricity through OMR affiliates in order to secure bulk quantity discounts with such payments totaling approximately \$6,300,000 in 1999. The Company has certain other arrangements with Outokumpu affiliates relating to a service agreement, a lease, and research and development. The aggregate of the amounts paid during 1999 pursuant to these other arrangements amounted to approximately \$1,200,000.

DESIGNATION OF AUDITORS

Upon the recommendation of the Audit and Finance Committee, the Board of Directors has appointed Ernst & Young LLP, independent auditors, to audit the financial statements of the Company for the current year ending December 31, 2000, subject to the approval by the stockholders.

Representatives of Ernst & Young LLP will be at the Annual Meeting of Stockholders and will have the opportunity to make a statement if they so desire and will be available to respond to questions.

STOCKHOLDER PROPOSALS FOR THE 2001 ANNUAL MEETING

Any stockholder who intends to present a proposal at the 2001 annual meeting and who wishes to have the proposal included in the Company's proxy statement and form of proxy for that meeting must deliver the proposal to the Company no later than December 3, 2000.

Any stockholder who intends to present a proposal at the 2001 annual meeting other than for inclusion in the Company's proxy statement and form of proxy must deliver the proposal to the Company at its executive offices not later than March 3, 2001, or such proposal will be untimely. If a stockholder fails to submit the proposal by March 3, 2001, the Company reserves the right to exercise discretionary voting authority on the proposal.

OM GROUP, INC.

Michael J. Scott
Secretary